

FCMB Group Plc

BUY

Margin expansion to fuel 2.5x growth in PAT

Target Price: N15.77

Ref Price: N11.20

Following an assessment of FCMB Group Plc's (FCMB) 9M'25 performance, we have revised our FY'25 and FY'26 Profit Before Tax (PBT) projections to N192.0 billion (+71.2% YoY) and N215.8 billion (+12.4% YoY), respectively. Our moderated FY'25 forecast reflects a significant downward revision to our FY'25 loan growth forecast from 10.0% to a 1.0% decline.

Notwithstanding, we expect the strategic reallocation of capital to investment securities, which have increased by 25.7% year to date, to help cushion the impact of our flat projection for gross loans. This is supported by the interest generated from investment securities, which amounted to N180.3 billion and accounted for 24.6% of total interest income (vs 3-year average of 23.4%). Notably, this figure has exceeded the FY'24 print of N175.8 billion.

7-year track record bolsters confidence in our double-digit FY'26 loan growth forecast.

In 9M'25, FCMB reported a 2.3% YtD contraction in its gross loans, primarily attributed to the resolution of legacy forbearance-related exposures, coupled with loan paydowns and disposal of credit facilities. As highlighted in our previous publication, FCMB adequately reclassified its forbearance-related exposures in Q2'25, triggering a spike in the Non-Performing Loan (NPL) ratio to 13.4%. Albeit Q3'25 marked a sharp turnaround, with absolute NPLs declining by 63.7% QoQ, and driving an 8.6ppt moderation in the NPL ratio to 5.2%. This improvement reflected the successful disposal of two out of five forbearance-related facilities, alongside an isolated troubled asset cumulatively amounting to c.N200.0 billion. Notably, these disposals were executed at discounts ranging between 10.0% and 15.0% and were fully settled in cash, underscoring management's commitment to an expeditious balance sheet clean-up.

For the final quarter of FY'25, we retain a positive outlook, expecting a reversal from the recent streak of consecutive QoQ declines in gross loans (Q2'25: 2.1%, Q3'25: 3.7%) to report a N33.2 billion (+1.4% QoQ) increase in Q4'25, which should lift FY'25 gross loans to N2.5 trillion (-1.0% YoY).

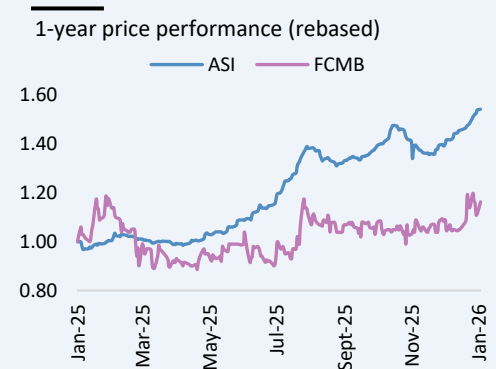
As gross loans are poised to decline YoY in FY'25, Interest Earning Assets (IEA) are expected to grow by a mearge 2.7% YoY, driven by a projected 31.2% YoY growth in investment securities. Our projection reflects a softer uptick when compared to the 16.1% YoY average

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Market Data	
Market Cap (N'bn)	479.4
Last close price (N)	11.20
52-week high-low price (N)	12.95-8.35
Avg 3M daily volume (mn)	33.10



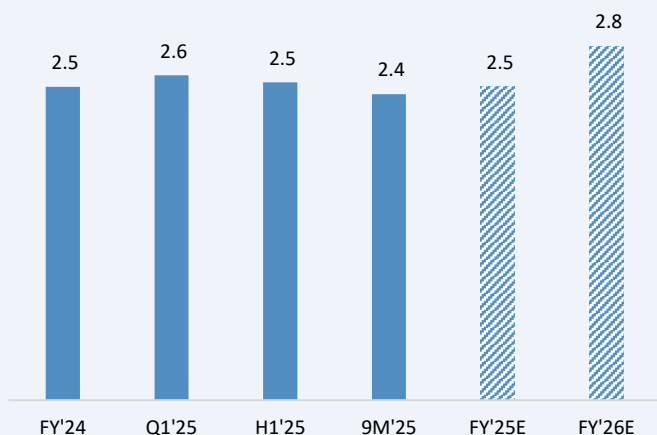
Source: Bloomberg, NGX, CardinalStone Research

between FY'20-FY'22.

Resulting from the projected slower growth in IEA vis-à-vis Net-interest income (NII) (2.1x YoY), we now forecast a 12.1% NIM for FY'25, an increase from our previous expectation of 10.5% and marginally above the 9M'25 print of 11.9%. We attribute the strong growth in NII to efficient utilisation of capital raise proceeds, as the group achieved a blended asset yield of c.25.0% in 9M'25 (9M'24: 17.4%) and also a Current and Savings Accounts (CASA) ratio of 66.1% (FY'24: 57.5%) following a N336.4 billion YtD reduction in term deposits.

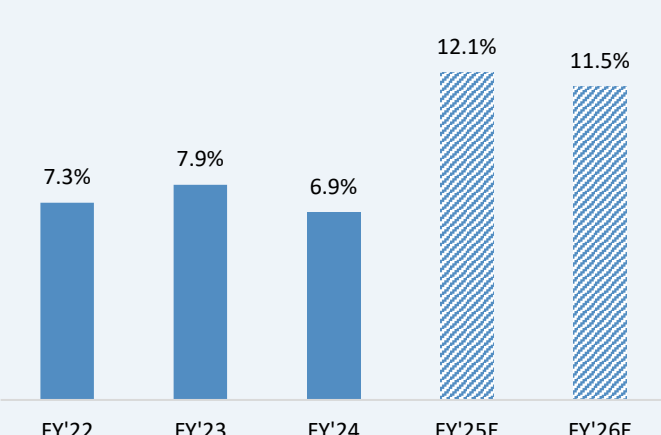
Anchored by FCMB's consistent track record of delivering double-digit loan growth over the past 7 consecutive years, and further bolstered by the low base established in FY'25, we believe the Group is poised for a rebound in credit expansion in FY'26, where we project a somewhat conservative 13.0% YoY growth in gross loans. Furthermore, we expect this growth trajectory also to be catalysed by an effective deployment of the N96.0 billion (61.3% of proceeds from its 2025 public offer) earmarked for lending across the wholesale, retail, and SME banking segments.

Figure 1: Gross loans is forecasted to close FY'25 at N2.5 trillion



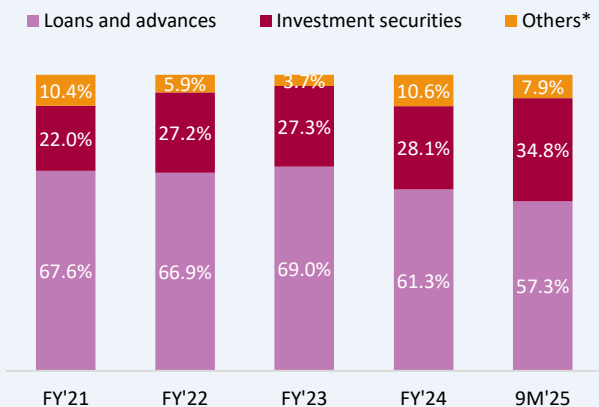
Source: Company Financials, CardinalStone Research

Figure 2: We forecast a NIM of 12.1% for FY'25



Source: Company Financials, CardinalStone Research

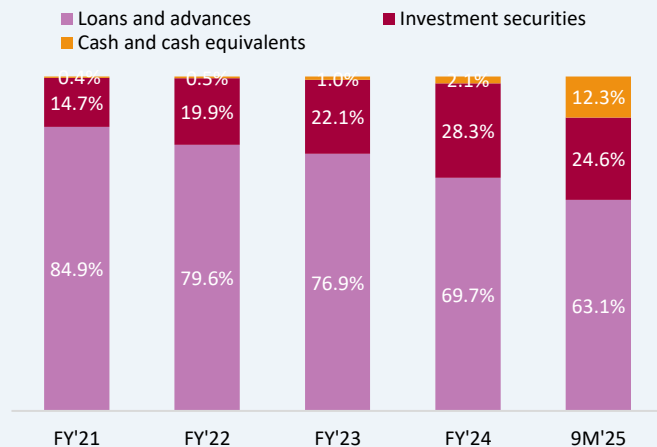
Figure 3: Interest Earning Assets mix



Source: Company Financials, CardinalStone Research

*others include placements with banks and assets held as collateral

Figure 4: Interest income mix



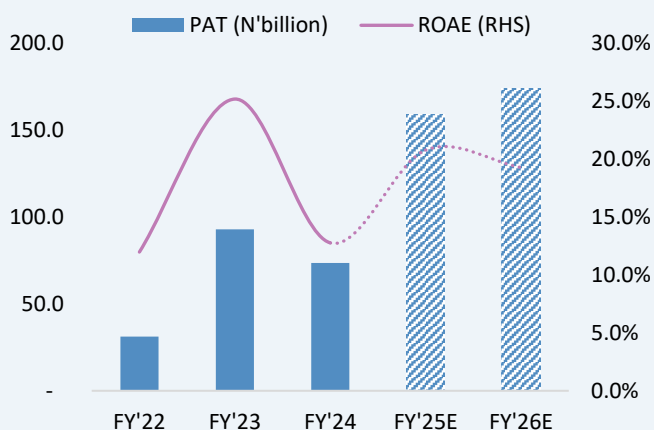
Source: Company Financials, CardinalStone Research

FY'25 PAT Set to Double FY'24 Print

Our FY'25 Profit After Tax (PAT) forecast of N174.7 billion implies a robust 2.5x YoY expansion, a momentum which significantly surpasses the 52.3% YoY growth recorded in 9M'25. This projected outperformance is anchored by our expectation for a strong Q4'25 PAT of N49.2 billion, marking a sharp reversal from the N8.8 billion loss recorded in Q4'24 (a period which was notably weighed down by a N17.7 billion windfall levy). Also, the Naira's 7.42% appreciation in FY'25 supports our view of minimal exposure to windfall levies, removing a key earnings drag. We foresee a 27.4% YoY increase in Dividend Per Share (DPS) to N0.70, with a payout ratio of 17.0% alongside a Return on Average Equity (ROAE) of 22.6% for FY'25 (FY'24: 12.8%).

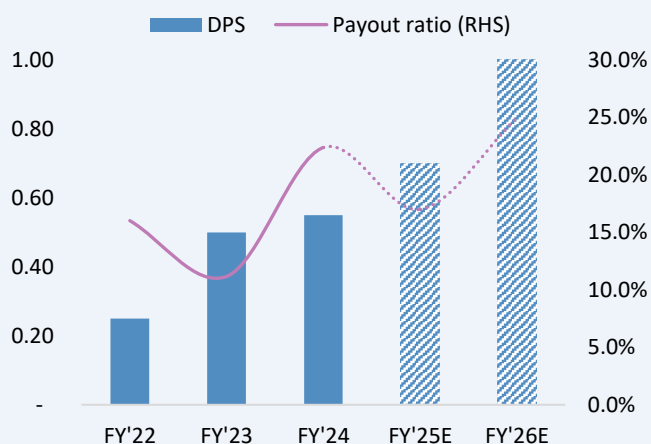
Elsewhere, management has outlined a strategic roadmap to expand the Company's international footprint, aiming to enter one new country each year over the next five years. According to management, the Group is currently in the advanced stages of due diligence for one of such opportunities. While we see this international expansion as a catalyst for long-term growth and diversification of earnings, we are also aware of the potential setup and migration costs that might impact near-term profitability.

Figure 5: Expected 2.5x jump in PAT expected for FY'25



Source: Company Financials, CardinalStone Research

Figure 6: We forecast a N0.70 DPS for FY'25

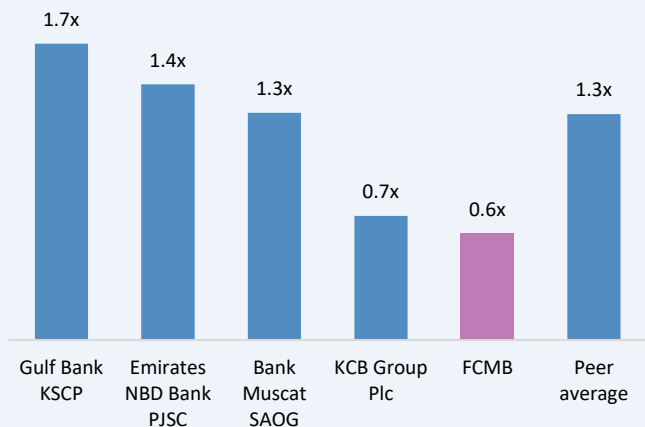


Source: Company Financials, CardinalStone Research

Valuation summary

We maintain our **BUY** recommendation on FCMB, while revising our 12-month Target Price ("TP") to N15.77 (from N14.64 previously). Our new TP portends a potential 40.8% upside relative to our reference price of N11.20. The increase in our TP reflects moderations in valuation variables (Risk-free rate from 18.0% to 16.4% and equity risk premium from 14.3% to 13.8%).

Figure 7: FCMB P/B multiple vs MEA peers



Source: Bloomberg, CardinalStone Research

Figure 8: Summary of financials

Income Statement (N'billion)	2024A	2025E	2026E	2027E
Gross Earnings	778.9	1,080.8	1,134.4	1,230.8
Interest Income	621.8	974.2	1,002.4	1,064.8
Interest expense	(396.5)	(504.0)	(517.1)	(541.8)
Net interest income	225.3	470.2	485.2	522.9
Non-interest income	157.1	106.6	132.1	166.0
Loan loss provisions	(41.2)	(79.1)	(68.1)	(73.7)
Operating expenses	(229.1)	(305.7)	(333.3)	(372.0)
PBT	112.1	192.0	215.8	243.2
Tax	(38.6)	(17.3)	(30.2)	(34.1)
PAT	73.6	174.7	185.6	209.2
Profit attributed to shareholders	65.7	166.8	174.9	194.6
EPS (NGN)	2.46	4.12	4.09	4.55
DPS (NGN)	0.55	0.70	1.02	1.14
Payout ratio	22.4%	17.0%	25.0%	25.0%
Weighted Average Number of Shares (#'billion)	26.8	40.5	42.8	42.8
Balance Sheet (N'billion)	2024A	2025E	2026E	2027E
Cash and cash equivalents	795.4	1,667.2	1,895.1	2,077.1
Pledged Assets	401.7	128.2	145.8	159.8
Investments Securities	1,510.0	1,930.7	2,194.2	2,404.7
Loans and Advances	2,357.3	2,308.5	2,624.0	2,955.9
Restricted reserve deposits	1,441.5	1,026.0	1,166.2	1,278.2
Other Current Assets	492.3	94.5	84.6	85.8
PP&E	56.0	63.2	63.2	63.2
Total assets	7,054.2	7,218.3	8,173.2	9,024.7
Customer deposits	4,296.5	4,275.0	4,859.3	5,326.0
Due from banks	834.9	1,007.5	1,207.6	1,389.4
Trading Liabilities	2.6	2.6	2.6	2.6
Other Liabilities	634.0	550.7	573.4	613.9
Current income tax payable	38.2	11.7	11.7	11.7
Borrowings	558.9	513.8	530.3	547.0
Total liabilities	6,365.2	6,361.2	7,184.9	7,890.5
Shareholders' equity	688.2	856.2	987.4	1,133.3
Minority interests	.8	.9	.9	.9
Total liabilities & equity	7,054.2	7,218.3	8,173.2	9,024.7
BVPS	25.8	20.0	23.1	26.5

Source: Company reports, CardinalStone Research estimates
 Note: NGN in billions (except per-share data). Fiscal year ends in December.
 *Totals may not add up due to independent rounding

Asset Quality Analysis	2024A	2025E	2026E	2027E
Loan growth	28.8%	-1.0%	13.0%	12.0%
Cost of Risk (CoR)	1.9%	3.2%	2.6%	2.5%
NPL ratio	6.0%	5.4%	5.4%	4.9%
NPL Coverage	86.3%	115.0%	103.6%	102.7%

Capital & Liquidity Analysis	2024A	2025E	2026E	2027E
Capital adequacy	18.0%	19.8%	22.7%	24.5%
Liquidity ratio	31.2%	50.7%	51.1%	51.0%

Ratio Analysis	2024A	2025E	2026E	2027E
Asset Yield	16.2%	25.0%	23.8%	22.5%
Cost of Funds (CoF)	9.0%	9.4%	9.0%	8.5%
Net Interest Margin (NIM)	6.3%	12.1%	11.5%	11.1%
Cost-to-Income (CIR)	59.9%	53.0%	54.0%	54.0%
PBT Margin %	14.4%	17.8%	19.0%	19.8%
Tax Rate	34.4%	9.0%	14.0%	14.0%

Profitability Analysis	2024A	2025E	2026E	2027E
ROAA	1.3%	2.4%	2.4%	2.4%
ROAE	12.8%	22.6%	20.1%	19.7%

Growth Analysis	2024A	2025E	2026E	2027E
Gross Earnings YoY Growth	55.9%	38.8%	5.0%	8.5%
Pre-provision operating profit YoY Growth	-6.5%	76.8%	4.7%	11.6%
Impairment charge YoY Growth	-30.7%	91.9%	-13.9%	8.1%
OPEX YoY Growth	45.7%	33.5%	9.0%	11.6%
PBT YoY Growth	7.4%	71.2%	12.4%	12.7%
PAT YoY Growth	-20.9%	137.5%	6.2%	12.7%
EPS YoY Growth	-45.1%	67.8%	-0.8%	11.3%
Total assets YoY Growth	59.5%	2.3%	13.2%	10.4%
Total liabilities YoY Growth	60.7%	-0.1%	12.9%	9.8%
Equity YoY Growth	48.9%	24.4%	15.3%	14.8%

Valuation	2024A	2025E	2026E	2027E
P/E (x)	3.8	2.7	2.7	2.5
P/BV (x)	0.4	0.6	0.5	0.4
Dividend Yield (%)	5.9%	6.3%	9.1%	10.2%

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Hold +0.00% to +14.99% expected share price performance

Sell < 0.00% expected share price performance with weak fundamentals

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% with investment banking relationships	0%	0%	0%	0%

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